



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Pension Fund Fiscal Note 2011 Biennium

<b>Bill #</b>	SB0295	<b>Title:</b>	Allow legislators to retire from public employment while serving in the Legi.
<b>Primary Sponsor:</b>	Keane, Jim	<b>Status:</b>	As Introduced

**Retirement Systems Affected:** ☐ Teachers ☒ Public Employees ☐ Highway Patrol ☐ Police  
☒ Sheriffs ☒ Firefighters ☐ Volunteer Firefighters ☐ Game Wardens ☐ Judges

Check the box if "Yes".

- ☐ Has this legislation been reviewed by the legislative interim committee?
- ☐ Has the cost of this legislation been calculated by the system's actuary?
- ☐ Does this legislation include full funding for any benefit revisions?

**Description of fiscal impact:** Technical notes have been included regarding concerns about SB295. The actuary is not able to determine the fiscal impact of SB295. Any provisions in SB295 that impact the qualified status of the retirement systems could have a material result.

## FISCAL ANALYSIS

### Technical Notes:

1. As this bill has potential qualification issues for the affected retirement systems, it is recommended that a provision be added that the bill does not become effective until the changes are reviewed and the systems receive an opinion or ruling from the commissioner of the Internal Revenue Service indicating that the changes would not affect the tax-qualified status of the affected retirement plans. The qualification issues of concern to the IRS regarding this bill is the ability to retire without an age restriction. The Pension Protection Act of 2006 did permit an optional provision for "in service distributions" but the provision also included a requirement of a Normal Retirement Age (NRA). Since governmental defined benefit plans traditionally use years of service for retirement there is not a stated NRA. SB295, as drafted, would allow the legislators to retire at any age. The IRS commonly looks at non-safety retirement systems as having a NRA of age 62.

2. SB295 may create adverse selection against the retirement system.
3. Leap frogging could result from SB295 as other groups that are members of the retirement system desire to have the same considerations given to legislators.
4. The actuary would have great difficulty in studying SB295 because there is not sufficient data to know how many legislators this could impact.

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*Sponsor's Initials*

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*Date*

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*Budget Director's Initials*

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*Date*